COMMUNITY SERVICE NEWSLETTER

Volume XXIX Number 6
November-December 1981
ISSN 0277-6189

COMMUNITY SERVICE NEWSLETTER is published six times a year by Community Service, Inc. Our purpose is to promote the small community as a basic social institution involving organic units of economic, social and spiritual development.

economic justice

NECESSARY TO COMMUNITY, NATION AND WORLD

By Griscom Morgan

Community Service members have been urging us to bring into a coherent whole its diverse articles and publications on economics that are so relevant to the economic problems of our day. We are in process of preparing a book on the subject. The major new chapter of the book we are here publishing as the main article of this issue of the Community Service Newsletter.

We wish to thank those who have read and helped in the development of this essay that is printed here for the first time.

Economic and monetary systems alone, however good, cannot guarantee a good economic order and well being for mankind. Good purpose and wise management are also necessary. But a bad economy can destroy a social order, accentuate the harmful impact of antisocial purposes and put power into the hands of a selfish few. That is particularly evident today as ever greater concentrations of wealth and power threaten the world with nuclear warfare and impoverishment of the masses of mankind.

The problem of inflation has become so serious that it is widely regarded as the primary economic threat. The policy that economists persuaded first the Carter and then the Reagan administration to carry out to curtail inflation is to make money more scarce, with consequent high interest. It is expected to "cool off" the economy by reducing the demand for goods so that money will be valued more by virtue of its scarcity, and labor and goods will receive less. But this cannot end inflation. As economist William Janeway wrote, in the British Spectator, "As matters stand, price stability in America means an intolerable level of unemployment... And average unemployment below four percent means an intolerable level of inflation at home and accelerated loss of competitiveness abroad."

The Nature of Capitalism

Capitalism has been confused with a free enterprise market economy. This is a fundamental mistake underlying present day economic thought. Capitalism is by definition an economy dominated by the role of capital. Being so dominated it is not a free market economy. Capitalism absolutely requires a scarce money economy for it to maintain its domination of the economy, and a scarce money economy means an economy with inadequate market and consequent chronic unemployment and restricted enterprise. Maynard Keynes posed the challenge to our time in writing: "It is certain that the world will not much longer tolerate the unemployment which, apart from brief intervals of excitement, is associated--and, in my opinion, inevitably associated--with present day capitalistic individualism. But it may be possible by a right analysis of the problem to cure the disease whilst preserving efficiency and freedom."

Keynes failed to make the right analysis of the problem, but his definition of the need for it is none the less valid today.

A definitive study of the impact of unemployment on society was made under the authority of a Congressional Committee. It proved that with each one percent increase in unemployment there was, in society in general, a two percent increase in chronic disease, a four percent increase in insanity and criminal behavior, and almost a six percent increase in the rate of murder. Capitalism is hereby indicted as a major cause of crime, insanity and disease. Abraham Lincoln in his 1861 Annual Message to Congress was emphatic: "Labor is prior to, and independent of, capital. Labor is the superior of capital, and deserves much the higher consideration." The economic system in which the market is hobbled by making money artificially scarce with consequent unemployment and high interest rates is not a free market system, but one in which labor is discriminated against and made subordinate to capital. This is not the dictim of Marxian communism but of President Abraham Lincoln in his commitment to freedom and justice.

Economists are aware that fighting inflation by inducing a recession from making money scarce would be very expensive to the nation. Around a half trillion dollars is a cost estimate quoted by David Francis, economics reporter for the Christian Science Monitor, an advocate of this policy. The economic cost is very high, but the injustice and social cost of fighting inflation by inducing recession and increase in unemployment over several years is far greater. Its impact is on the most helpless both within the nation and among the nations of the world. The young, minorities, elderly, the working class, small communities, hinterland areas and third world nations are most severely affected. Maynard Keynes' economic program of fighting unemployment by making money plentiful through government spending was a mistake, but fighting the resulting inflation by making money scarce is the same mistake confounded to worse effect. And it is absolutely unnecessary. We could lick the inflation problem within months and achieve full employment, but with procedures that financiers have shuddered at--because it would liberate the market and reduce interest rates to a level at which finance capital would cease to dominate the economy.

Capitalism is a Debt Economy

Long term debt growing at a progressively more rapid rate by virtue of compounding of high interest is both the foundation of capitalism's power over the economy and the cause of its breakdown. This has been true of civilizations for thousands of years, as economic historian Brooks Adams documented in his Law of Civilization and Decay. One penny invested at six percent compound interest at the time of Jesus would long ago have grown to be worth more than the weight of the earth in gold. Obviously once this process has continued a few decades or a century or two it cannot be reversed by "paying off your debts" when the principal has grown so out of bounds.

It is not the national governmental debt that is the focus of this curse nearly as much as the total burden of debt. By 1977 the national debt had doubled in the previous ten years, but the burden of private debt had increased by twenty five times in the previous twenty five years. The per person share of the government debt in 1977 had risen to only $3,117, but the total debt per person had risen to $16,000, dwarfing the national debt. There is no way this amount of debt can be paid off; even to pay interest on such a huge debt requires borrowing and further compounding it. The high interest now charged for debt is owed to a small proportion of the population, and they have little use for such a vast flow of wealth but to buy up prosperous businesses, lend it to the government, gamble on the stock exchange, invest it in less encumbered nations to develop industries there, or park it in safe European nations' banks.

Internationally the same process has taken place between have and have-not nations. By 1970 the Latin American nations had so much debt that all they could borrow was required to pay interest on it. This causes terrible poverty in underdeveloped nations.

Two Kinds of Money

By far the larger part of the nation's money supply is not United States currency, but is "bank money," loans from banks people have deposited in their checking accounts that are secured by valuable property the borrowers own. This form of money assures that the nation's money supply can expand or contract depending on the need for money. In itself this is not

inflationary and does not cause the high interest burden. What is inflationary is the character and resulting irresponsible ownership of United States currency. The value of the property security behind bank money depends on the adequacy of the market demand for those resources. But severe scarcity--and high interest--of money severely reduces the demand and hence the market value of those resources behind bank money. In this way the scarce money character of capitalism endangers the stability even of bank money. The resulting instability in the currency system imperils the economy of the nation and of the world.

Money Scarcity Comes From Mistaken Understanding of Money Functions

A fundamental and simple fault in economic understanding underlies the progressive degeneration of the social orders of both communist and capitalist society. Both Marxism and Capitalism have conceived of the value of currency as being controlled by the amount of money on the market in the same way as the price of a commodity such as gold is dependent on its scarcity. Such a money has to be scarce to keep its value. Since money has to be kept scarce to avoid inflation and to maintain the value of the currency, bank money, too, must be kept scarce and with resulting high interest on it.

Why should the dollar not be established as a constant measure of value just as a foot or a meter is established to be? Why is the dollar, like gold, varying in value? Today more dollars are hoarded in Europe than circulate in the United States. They are known as Eurodollars. Much is owned by Americans, much more by the oil rich nations and the trend is increasing. Why is there no charge to owners of that vast sum for giving secure and stable value to the dollar? Is it surprising that when there is no security, and no guaranteed value of the dollar, it is vulnerable to inflation?

Our money has to be kept scarce with high interest charged for it because to make it plentiful could cause runaway inflation from money holders dumping their American currency in exchange for other currencies or gold and jewels. Scarce money and resulting high interests cause unemployment and the terrible growing interest burden on the general population from accumulating debt. This failure in the monetary system underlies the faulty economies of the world and the great disadvantage of hinterland regions, communities and third world countries over the world. Maynard Keynes and Gerard Piel, publisher of Scientific American, argued that this was the major cause of international conflict and war in the modern world.

But money is fundamentally different from a commodity. Economist Dudley Dillard showed this in writing, "Money is not just another form of economic wealth... In a money economy all goods must assume a money form, that is, they must be transferred from goods to money. Otherwise specialized producers have only a negligible use for the things they produce... These simple facts have not been incorporated in economic theory, perhaps because they are too obvious for sophisticated economic analysis."

Artificial and destructive scarcity is an intrinsic consequence of our money system, because of our identification of money with the characteristics of scarce precious metals. Money is defined as a medium of exchange, not as a security. Thus money is equivalent in the body to the circulation of blood, not to adipose tissue. The latter is equivalent to a security, not for circulation. Like blood, money needs to constitute and represent relatively constant real value, driven by pressure to circulate and not allowed to stagnate out of circulation and exchange. Without that pressure the extremities of the economy, like the extremities of the body, begin to die.

Plentiful Money Systems Have Worked Without Inflation

A money and market economy can exist that has full employment without depression and inflation cycles. Such economies have existed for hundreds of years with widespread economic well-being. They were not capitalist, because they could not be dominated by the role of capital. The pre-Columbian central American economy was such an economy, highly developed and stable in contrast to the European economy under capitalism. And we know how it was able to work without inflation and unemployment. Its money was based on the cocoa bean, and not on the characteristics of gold.

Capitalism rose when gold or merchandise certificates for a certain amount of gold came to be used as money. Those certificates then carried the characteristics of gold, of being hoardable without loss. But certificates for a certain number of bags of cocoa beans had to

carry with them the depreciation and storage costs for the beans, and this is what drastically changed the characteristics of the economy. For if owners of money have to pay storage costs they cannot then charge high interest for money, for they are under compelling necessity to trade or invest lest their assets shrink excessively, just as the farmer and laborer cannot hold their resources off the market for long without loss. Petrus Martyr, one of the Spaniards who came to Central America with Cortez, expressed it as follows: "Oh blessed money which not only gives to the human race a useful and delightful drink, but also prevents its possessors from yielding to infernal avarice, for it cannot be piled up, or hoarded for a long time." Thus the pre-Columbian Central American economy could have free enterprise, a widely used money, low interest, freedom from inflation and full employment. The cost of good beans was relatively constant and plenty more could be raised.

For two centuries such a system of making money owners pay costs of money holding also made the economy of early medieval Europe one of continuous prosperity without unemployment. Brooks Adams wrote that this "was an interval of almost unparalleled commercial prosperity." Julian Borchardt, in his The People's Marx wrote: "It is a matter of general agreement that the (economic) crisis constitutes a grave disturbance of equilibrium between production and consumption. The question rises: was this always the case? or was there a time in which no such disturbance occurred--nay, may even have been impossible? I know nothing of any commercial crises during the Middle Ages...of serious ruptures of the equilibrium between production and consumption." This was a time of sudden proliferation of local markets across the country--and markets require an adequate money for people to trade. But after the demurrage currency was ended, money became so scarce that interest trebeled within a century and severe unemployment increasingly settled over Europe.

The Failure of Capitalist Economic Theory

Artificially scarce high interest money, hoardable like precious metals, causes falsification of all economic relationships and, in the long run, profound injustice and progressive inflation in all capitalist economic societies. Maynard Keynes points out that "Interest today rewards no genuine sacrifice, any more than does the rent of land. The owner of capital can obtain interest because capital is scarce, just as the owner of land can obtain rent because land is scarce. But whilst there may be intrinsic reasons for the scarcity of land, there are no intrinsic reasons for the scarcity of capital."

Money capital is scarce and interest rates are high to the point of overwhelming the economy because, unlike the owners of other commodities, the capitalist can hold his money off the market without loss unless there is severe inflation. For inflation means loss to the money holder, so it is a stimulus to spend and invest. That is why a significant amount of inflation has been necessary to counteract severe unemployment. But inflation debases the wages of labor and disrupts the economy so severely that it must be minimized to achieve some degree of social order.*

Today, governments try to fight inflation by keeping money scarce with resulting high interest rates and low market demand. The government seeks to reduce taxes to enable those with much money to lend and stimulate investment, but their investment turns instead to buying out existing firms that can be exploited for more concentration of wealth. We thereby freeze out and impair the new small entrepreneur that is the major source of future employment and competition with the old and inefficient giants, augmenting inefficiency of American producers and purchasing from overseas producers. We seek to reduce the national deficit that had been increasing at an ever increasing rate, but with so poor a national productivity and resulting heavy welfare load from unemployment and repeated recessions we augment the very government expenses that we seek to curtail.

---

*
The rate of unemployment and inflation tend to vary inversely with each other, as is demonstrated by the "Phillip's Curve." This is not so simple a relationship as it was once conceived, for there are other factors such as the reduction of real income to workers in time of inflation which result in reduced purchasing power and real demand and employment in the long run. The government's efforts to stop inflation by making money scarce also reduces demand. But the fact remains that the known stimulation to spend or invest that comes with increased inflation results in increased employment. This stimulus can be duplicated with a demurrage currency but without the negative effects that accompany inflation today.

It is widely assumed by the monetarist economic school that is now in control of American economic policy that recessions should terminate themselves without resort to Keynesian compensatory government spending to put money into circulation and recreate an adequate market and employment. It is assumed that private capital, as soon as the government ceases to borrow it for government spending programs, will turn to active private investment. This is a fundamental mistake. For, as in the economic breakdown of the great depression under Herbert Hoover, when the market begins to be wiped out by widespread unemployment there is no recovery factor under capitalism that will put money back into circulation to recreate the market except government expenditures financed by taxation of the wealthy and borrowing from them with resulting increase in the national debt. Without an adequate market there is inadequate justification for private capital to invest in greater productive capacity for the economy.*

Economists have not faced up to this reality. Gerard Piel, who built up Scientific American to be an outstanding journal of science, did face this reality and sought again and again to bring it to the consciousness of economists and the educated public. He warned that the primary dynamic toward war in our nation has been the necessity for deficit financing of the economy by government expenditures. This demand for government money to come into the different parts of the country to keep money flowing is satisfied by expenditures for military preparation for war. He pointed out that this had superceded other public works as the dominant form of "compensatory government expenditure." Peace minded people have ignored Piel's plea for attention to this cause of war, they too assuming that with the cessation of military expenditures the money would flow into other so much needed economic activity. But the underlying fault of capitalism of creating scarcity and inadequate market has been largely ignored by all parties but the Marxians who have seen no answer but the giving up of private enterprise and the free market economy and resorting to a state capitalist economy which in turn is completely different from what Karl Marx had supposed would be the result of his similarly faulty economic thinking. For he too did not understand the fault that underlay the failure of capitalism.

Because of Karl Marx's monetarist misconception of money he assumed that the top down character of capitalism must be carried over in the interest of society as contrasted with the interest of private monopoly capital. Thus agriculture in Russia was reorganized to be like capitalist agribusiness--the modern equivalent of the Roman empire's capitalist latifundia huge farming operations at the expense of the small communities and their local markets. But the result is not the withering away of the state that Marx expected, but the consolidation of the capitalist state as a government rather than private top down bureaucracy. The contradictions of private capitalism of an inadequate market are hereby traded for public bureaucratic absentee control and inefficiency. The destruction of the small community and its role as a foundation of society is similar under state as under private capitalism.

Maynard Keynes defined the impact of capitalism on free enterpise: "If effective demand is deficient, not only is the public scandal of wasted resources intolerable, but the in-

---

*

The recession process requires a little explanation to understand it. The first public reaction to a time of recession is for people with resources as well as the unemployed to stop buying and borrowing and live with what they have--their old car, stock of goods for sale, or factory equipment. But this cannot last very long. Those with some money or security begin to buy or borrow and there appears to be a letup in the recession. But the reduced purchasing power of the public is not compensated for in this way and governments repeatedly respond by borrowing and putting more money into circulation to satisfy an impatient electorate. The wealthy find the depths of such recessions a good time to buy out more of the resources and land of the nation at bargain prices. In such ways the recession is conceived of as ended. But the price is progressive takeover of the public and private assets of the nation. Each round of such recession leaves the economy in worse condition, the poor more impoverished and stagflation more intransigent.

dividual enterpriser who seeks to bring these resources into action is operating with the odds loaded against him. The game of hazard which he plays is furnished with many zeros, so that the players as a whole will lose if they have the energy and hope to deal all the cards. But if effective demand is adequate, average skill and average good fortune will be enough."

Under the monetary system that yields capitalism, the cards have been stacked, as Keynes shows, against all but the capitalist, and so the small enterprise, the small community and the laborer have lost their shirts and the technologies that went with small holdings. Huge aggregations of capital can buy up the small, giving a false appearance of superior efficiency and creativity.

With the destruction of the viable life and economy of the small community the downfall of civilizations has followed throughout history.

Even population explosions derive from this cause for, as Malthus pointed out, population control has depended on the community's experience and recognition of the relationship in its economy between numbers of people and the resources at their disposal.

Labor industrial enterprise, commerce and communications are increasingly peons dominated or controlled by finance. Multinational corporations are kingdoms of financiers, not industries and commercial enterprises. Industries become more and more unprofitable and are at greater and greater disadvantage and enterprise dries up as interest rates become prohibitive, the market too limited, the profitable enterprises bought out.

The Inflation-Free Full Employment Economy

All of this problem could be cleared up with one simple correction in our monetary system. That correction would eliminate the curse of inflation that comes from the government spending money to maintain employment and keep the economy afloat. It would be done by guaranteeing the constant value of the dollar with a wide variety of goods (each with its varying market price) that society needs to hold in strategic reserve--wheat, oil, iron, and so on (including gold at its erratic market price)--and making the owners of money pay the cost of storage of that security for their money. Under these circumstances the wealthy could not hold their money until they got high interest but would be compelled to invest at low interest, putting it into circulation and thereby guaranteeing full employment in the normal function of the economy.

The new economic system could be accomplished in short order simply by having a new kind of national currency with a guaranteed value of the dollar as measure of value but with the currency losing in face value by one percent every one or two months. This would be a minor nuisance like figuring the sales tax on purchases. It would relieve both the income tax and the cost of goods from much of the great public and private cost of storage of the resources society must hold in strategic reserve. This would put the free enterprise and market economy back into healthy function. This action would correct the root cause of the faulty economy that has so threatened the future of mankind.

The idea of a "demurrage" currency covering the storage cost of security is so foreign to most people's experience that it is difficult for them to conceive how it would work or that it would work well. Economic theories have had a poor track record, as the recent experience of the governments of England, France, Russia and the United States have demonstrated. Why should so different and so great a departure from standard practices have any more promise of success?

In any field of science and technology a number of factors are essential: theorization tested by historical experience, laboratory experimentation and demonstration, and personal experience in practice. Most economics has not fulfilled these qualifications. Experimentation on a laboratory scale is not easy and is rare. But there have been enough cases that we can draw conclusions from them. During the great depression in the early thirties Arthur E. Morgan, like a considerable number of other people and groups, undertook a small scale monetary economy in the small Ohio town of Yellow Springs based on a local currency with assured value and no demurrage or 'hot money" feature that would stimulate its active use. The sluggishness of the currency circulation and the difficulty of having it break through into the patterns of common usage was characteristic of these currency exchanges. In the absence of sufficient national currency to carry on trade, barter exchanges are also resorted to, but the cost per transaction of working out a complex pattern

of barter, matching people's needs with what others have to offer, has frequently been reported to be around a quarter to a third of the value involved. In contrast Arthur Morgan learned that currency exchanges involving demurrage money have had very active circulation of money and much less expense in working out transactions on the market. In the successful Chicago United Trade Exchange it was figured that the currency circulated three times as fast as the national currency.

The relevance of this laboratory scale economic evidence is strongly supported by the fact that the hoardable currency worked the same on the laboratory scale as it does today on the national scale. The unhoardable constant value currency on the laboratory scale also worked the same as the unhoardable currency did on the European continent during the better than two centuries when it was the medium of exchange there. This is strong evidence of its relevance to the national and world situation today.

Some instances of personal experience will help to make the demurrrage feature of money more clear. Zakir Hussain was President of India and, by training, an economist. While visiting Community Service he told how he was able to see how a demurrage or "hot potato" money would make for full employment and economic vitality. He had been a member of a Muslem community which had developed a form of tax comparable to the demurrage tax of medieval currencies. Each member of the community was obligated to pay a percentage of his money or currency holdings once a year. At this time, Dr. Hussain said, unemployment disappeared since everyone wanted to spend his money before the time the tax fell due. The result was that the currency rapidly pushed its way into the hands of even the most unemployable as the hot potato money was quickly passed on to the next person who would accept it. And by the same dynamics, people wanted to lend their money to those who were willing to borrow it at much lower than standard interest rates so as to avoid the loss from the tax that fell to those who held the currency when the tax came due. The process is simple and the dynamics obvious after one has a minimum of experience or evidence of experience with it.

The principles behind demurrage currency can be applied to a limited extent even without the demurrage currency. The cases of two Appalachian county seat bankers illustrate this. Each was located in desperately impoverished areas in starving Appalachia during the great depression. One of the bankers told a visitor that he knew better than to put the money in his bank into loans to people in the county--the county was too economically dead and people were unable to repay loans. He put the reserves into securities in New York. The other banker was challenged by a farmer to put the money in his bank to use into circulation through loans in the county, at interest rates people could afford to pay. This would necessitate getting depositors and investors to leave their money in the bank and the county at lower interest than competitive banks elsewhere. This second banker was a man with a deep sense of ethical and social responsibility and he saw that the lack of money circulating in the county and invested therein needed productive enterprise was a major cause of the county's hardship. So he inspired, organized and vigorously campaigned for a change in economic philosophy and course of action in his community and he was able to bring his county from being one of the poorest to one of the most well-to-do in the state. This man was William Bailey, president of the Clarksville Tennessee First National Bank. He called the program the Four Pillars of Income. He was the second banker in history to be elected president of the American Bankers Association who was not from one of the hundred largest banks. He wrote us that he found most bankers were not ready to go against the old preoccupation with money-making at the expense of the economy. The demurrage feature gives economic incentive for people and bankers to do what William Bailey had to preach, educate, organize and exhort people to do.

Social responsibility in dealing with money is not just the bankers' business, but involves all people. Instead of putting their money into speculation on the stock exchange, they can selectively lend and invest in enterprise over which they can have more intimate oversight and know whether it is used responsibly. They can forebear charging excessive interest or asking for it when a greater and more important need or service could not pay such high interest. This can develop to be the standard and custom of a community just as William Bailey educated his community to so deal with money.

The question follows, will this also work on a national scale? That is one of the most important features of a demurrage currency. For as things stand local communities and regions away from financial centers tend to have their money supply funnelled off by interest, taxes and commerce to the financial centers, leaving them without money to carry on local trade and market functions. But a demurrage money not only lowers interest charges but also stimulates people and areas with more money to spend or invest it in areas depleted of money where employment is poor; local markets then can come to life again in the hinterland when people do not have to spend all the money they get on taxes and essentials from outside their locale. This was a matter of experience proved in the demurrage money systems in Medieval Europe where local markets sprang into life with the advent of plentiful money.

Objections That Have Been Raised to Demurrage Currency

What would prevent the taxed currency from leading to inflation? A new kind of currency issue would have the guarantee of redemption in a wide variety of goods at the varying market price which the market establishes for each of the goods in terms of the overall constant retail price index. Thus the gold now kept at Fort Knox could be part of this security for the value of the dollar, only it would be exchanged for dollars in terms of the erratic market price of gold. A run on gold would not change the value of the dollar (in terms of the price index), but would increase the price of the gold in comparison with the general level of prices.

It would not be possible for this feature of a guaranteed redemption of the dollar to apply to the vast amount of United States old style currency now parked over the world--three quarters of a trillion dollars worth. That currency would be acceptable for payment of taxes at their face value, but it would be more valued than the new demurrage currency because it could be hoarded, so it would tend to be hoarded out of circulation in accordance with Gresham's law that the cheaper money drives the dear out of circulation--into hoarding.

The question comes, "What about wages, would they not be greatly increased by full employment and force inflation?" Wages would indeed increase, but the value of the dollar would still be fixed by the price index. The increase in wages would come from the decrease in the interest burden.

To keep the different parts of the economy working it would not require the vast bureaucracy and special programs now necessary under the old money system such as minimum wages, vast welfare programs, special financing for the benefit of agriculture, and so on. No, go to the root of the problem and establish the conditions by which the market can work these things out under full employment. Nor does it require the many years of terribly expensive and degrading "recession" that the monetarists conceive necessary to stop inflation, and which are not succeeding in doing so. Go to the root of the problem and these problems will be corrected in months.

Interest on the national debt has grown to be the third largest item in the national budget. The drastic reduction in interest that an unhoardable currency would bring would make possible a great reduction in the burden of taxes that now weighs the economy down.

We could today have the benefit of freedom from the curses of economic crises, inflation, unemployment, and the development of extremes of poverty and wealth and yet maintain a free market economy. We do not need to sacrifice economic and social freedom for inefficient, vastly complex top-down bureaucratic governmental management of economic processes.

The Free Market Full Employment Economy Has Been Proved in Practice

A primary principle of science is: "Does it work? Can you prove it experimentally?" There have been many endeavors to create local economic systems with their own currencies. During the depths of the depression Chicago had a number of such endeavors, and all of them failed except the one that employed the principles of a demurrage currency similar to that used in medieval Europe. In the early thirties, the town of Woergle in Austria achieved full employment within three months out of desperate unemployment by officially adopting its own stable price level demurrage currency. It was so successful that other towns in Austria were about to follow suit when the Bank of Austria prevailed on the government to suppress the innovation that threatened to put the Bank of Austria out of business. These and other such examples have proved the principle.

Bankhead

This proposal has been around for a long time. It fascinated Albert Einstein. Unites States Senator ~~Fullbright~~ introduced legislation for its adoption in the United States and later said that it would have eliminated the causes of the Second World War. Bankers, industrialists, socialists and historians (such as H. G. Wells) have been among its advocates. Maynard Keynes wrote that the future would learn more from its earliest advocate than from Karl Marx. But the economic profession has not given recognition to it, though a number of economists have considered it vital to our future.

BIBLIOGRAPHY AND REFERENCES

Joint Economic Committee, Congress of the United States, Estimating the Social Costs of National Economic Policy, Oct. 26, 1976.

Maynard Keynes, General Theory of Employment, Interest and Money, Harcourt, Brace and Co., New York, 1935. Quotations from Chapter 24, "Concluding Notes on the Social Philosophy." The introductory paragraph reads: "The outstanding faults of the economic society in which we live are its failure to provide for full employment and its arbitrary and inequitable distribution of wealth and income."

Arthur O. Dahlberg, How to Save Free Enterprise, Devin Adair, 1974, Part Two, Chapter 7, "The Age of the Gothic." The chapter is introduced by the paragraph reading: "There was a period of history when for three centuries money was not exempt from ownership costs. That was "the Age of the Gothic". Dahlberg quotes from the Encyclopedia Britanica: "In the middle of the 12th century the one-sided deniers, called bracteates, appeared. These thin plates, bracteates, were the only money in Europe from the 12th to the 14th century. In general the minting fee was fixed at 20% to 25% per year."

Brooks Adams, The Law of Civilization and Decay, Vintage Press.

R. H. Britnell, "The Proliferation of Markets in England 1200-1394," Economic History Review, May, 1981.

Dudley Dillard, "The Theory of a Monetary Economy," in Post-Keynesian Economics, edited by Kurahara, Rutgers University Press, 1951.

Gerard Piel, The Acceleration of History, Knopf, 1972, chapter "The Subterfuge of Armaments" pp. 325-339.

Edgar R. Fiedler, "Inflation and Economic Policy" in Proceedings of the Academy of Political Science entitled Inflation and and National Survival, Vol. 33, Number 3, 1979. Fiedler shows that the Phillip's Curve relationship between unemployment and inflation is still valid, using the rate of change in inflation rate in relation to the rate of unemployment. Fiedler shows that to try to eliminate all inflation would not be sound, and that all the well-known ideas of eliminating inflation are extremely costly and would result in too great unemployment. He analyzes "stagflation" in this light.

Rarihokwats Faces Imprisonment

EDITOR, DEFENDER OF INDIAN CAUSES, FACES SIX YEARS IMPRISONMENT FOR POSSESSION OF FOUR FEATHERS

The founder of a large Indian newspaper and a strong advocate of Indian causes faces six years imprisonment for the possession of four feathers.

He is Rarithokwats, who for nine years edited Akwesasne Notes, and who now edits Green Revolution. As coordinator of the intercultural group Four Arrows, composed of Indian people of Canada, the U. S., Guatemala and Mexico, he crossed the U. S. border from Mexico last February, when the feathers were seized by Customs officials.

Trial has been set for November 20 in Brownsville, Texas. Rarihokwats is charged under the name with which he was born, Gerald Gambill, by which he was known until 1972 when he was given the Mohawk name he has used since. He faces ten separate charges, one for possession and one for importing of each of four feathers--one eagle, one gull, one hawk, and one caracara. There are two additional felony charges involving the eagle feather.

Rarihokwats says the feathers were part of a medicine bundle which hung from the visor in the front of the van used by Four Arrows, in which twelve Indian people from Mexico and Guatemala with him were traveling to the U. S. and Canada for meetings with other Indian groups. All persons were legally documented

with passports and visas. He says the group had carried the feathers for many years.

The American Indian Religious Freedom Act, passed by Congress in 1978, noted that laws designed for worthwhile purposes such as conservation were never intended to relate to Indian religious practices. It said the policy of the U. S. henceforth shall be to protect for American Indians their inherent right of freedom to exercise their traditional religions, including use and possession of sacred objects such as feathers.

At issue is the contention of U.S. prosecutors that Rarihokwats is not entitled to the exemption because he is not by bloodline "Indian." However, the defendant insists that he has followed Mohawk religious and spiritual practices for sixteen years, that during this time he has lived entirely with Indian people, and that his own rights and the rights of Indian members of the Four Arrows group to religious freedom is at stake. The feathers, he says, are not his personally, but belong to all the group. He is being defended by the Brownsville federal public defender, Juan Gavito.

Rarihokwats is the recipient of several awards for his writings, including the American Indian Press Association's Marie Potts award, and the R. F. Kennedy Journalism Award for service to minorities. His articles have included exposés of the sterilization of Indian women, takeovers of Indian lands by politically-connected developers, harrassment of Indian activists by police groups, and recently, U. S. involvement in the killing of thousands of Indian people in Guatemala.

For further information, write Rarihokwats, P. O. Box 3233, York, Pa. 17402 or call (717) 755-9037.

Readers Write

ABOUT "BREAKDOWN OF NATIONS"

I just finished reading your review of the book Breakdown of Nations in the Sept.-Oct. Newsletter. It is a good summary of the contents of ghe book, but it does not present a critical evaluation of the thesis of the author.

Leopold Khor would have us think that major nations breed major wars and that smaller nations would (at worst) engage in smaller, less destructive wars? To accept this contention requires an excruciatingly profound ignorance of world history. To cite but two examples: 1) The small and divided Greek city-states were almost in perpetual warfare with each other (especially Athens and Sparta) until Philip of Macedonia and his son, Alexander the Great conquered them all and imposed peace and prosperity. When these city-states regained a measure of independence, they started their suicidal warfare again until Rome again imposed peace. 2) During the Thirty Years War (1618-48), the small nations, duchies, counties, and principalities of Europe decimated each other so much that at the end of the war, the population of Germany alone, had shrunk from 22 million to 11 million--and this despite natural increase! The whole history of the Dark Ages is replete with wars that decimated the populations, ruined the crops, and resulted in the rape of the women and the killing of men and children.

If such large-scale destruction was common in those days, imagine what a small group with sub-machine and machine guns could accomplish, in contrast to the primitive weapons of those times!

In fact, there is a strong suspicion that small-scale, continuous warfare between city-states and small nations was more destructive of the people, the civilization, and the natural resources than the occasional "world wars" that afflict us now! Certainly, during the Dark Ages there was no incentive to undertake large projects of any kind, since there was little prospect of their ever being completed or of lasting long after completion. In this sense, Kohr is right. Slicing up big nations into smaller ones would most probably assure that nothing big (like telecommunications) would ever succeed.

Incidentally, with you and Jane Morgan as the only staff of the Newsletter, it seems advisable to get volunteers for some of the tasks, such as book reviews. I, for one, would gladly volunteer to do at least one book review per year for Community Service. I'm sure other members could be found to do the same. This sould free you for some of the other important work you have to do.

Yours in community,

Dan Loubert, Maryland

ABOUT GRISCOM MORGAN'S BOOK ON ECONOMICS

I was very pleased to learn at the annual meeting of Community Service that Griscom Morgan is editing the material on depreciating currency for publication in a new book. Collecting the descriptions of situations in which the principle has been applied will be of great assistance in convincing readers that the idea is practical. Descriptions of use of the principle is also one of the best ways to communicate how it operates.

If the idea were implemented, I would expect it to be of tremendous importance in promoting full employment and in removing the monkey of usury from our backs. I have been troubled recently by the extremely high interest rates and the way in which they drain the substance from those who pay them. I have many clients who are farmers and who are deeply in debt because their production costs outstrip their income. I see them paying thousands upon thousands of dollars in interest and not being able to meet their debt payments. The only way they make a living is by working in a factory besides their farm work.

In one month this summer, I heard a judge in Richland County say that out of 34 new cases filed in his court that month, fully one-half were mortgage foreclosures. Farmers who have followed their fathers in farming for generations are losing their farms because they cannot even meet the interest payments on their debt service.

The time will be ripe for the depreciating currency idea at some point. I look forward to Griscom's book. In an effort to assist Community Service in communicating the idea, I am enclosing $250 to be used in printing the book or otherwise in preparation of the book as you think best.

May your efforts bear fruit.

--Jim DeWeese, Ohio

COMMUNITY SERVICE NEWSLETTER is published bimonthly by Community Service, Inc., P. O. Box 243, Yellow Springs, Ohio. Phone (513) 767-2161 or 767-1461.

MEMBERSHIP is a means of supporting and sharing the work of Community Service. Though a minimum $10 annual contribution includes a subscription to our NEWSLETTER, larger contributions are needed. COMMUNITY SERVICE, INC. is a non-profit corporation which depends on contributions so that it can offer its services freely to those who need them. All contributions are appreciated, needed and are TAX DEDUCTIBLE. If you want your NEWSLETTER sent airmail overseas, please send $16.00. All foreign members including Canadian please pay in U.S. currency.

YOUR MAILING ADDRESS AND BILLING

If there are errors on your mailing label or in our billing, please send the old label, plus corrections, and the facts of prior billing to us. It will save time and money if you will let us know by postcard of your change of address. The post office charges us 25¢ to inform us of each change and you may not be receiving your NEWSLETTER. We then have to pay 15¢ to remail your NEWSLETTER. Sometimes the post office says there is no forwarding address for a subscriber and this makes us sad. So PLEASE SEND US YOUR OLD ADDRESS AND YOUR NEW ADDRESS.

CONSULTATION

Community Service makes no set charge for consultation services formal or informal, but can only serve through contributions of its friends and those it helps. For consultation we suggest a minimum contribution equal to that of the consulter's hourly wage for an hour of our time.

COMMUNITY SERVICE TRUSTEES

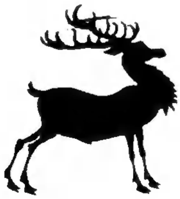
DO YOU HAVE A FRIEND?

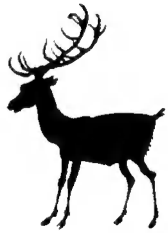
Do you have a friend who might be interested in Community Service's work and publications? One of the most helpful ways of supporting CS is to send the names and addresses of friends who you think should receive a sample of our NEWSLETTER and a copy of our booklist. If you wish a specific issue of our NEWSLETTER sent to your friends, please send 15¢ postage per name.

STAFF

Jane Folmer and Jane Morgan.

CONTENTS





LOOK AT YOUR ADDRESS LABEL

You can tell when one year has passed since you last contributed to Community Service by looking at the three digit number at the upper right hand corner of your mailing label. The first digits are the month and the last are the year your subscription expires. Please renew your subscription now if it has expired or will expire before 1/82, January, 1982. A minimum contribution for membership is $10 a year. The need for larger gifts continues to increase.

COMMUNITY SERVICE, INC.
P. O. Box 243
Yellow Springs, OH 45387

ADDRESS CORRECTION REQUESTED

Non-Profit Org.
U. S. Postage
PAID
Yellow Springs, Ohio 45387
Permit No. 51